

Attorneys for Respondent, CHARLES R. LEWIS

In the Matter of the Accusation ) NO. AC-93-43  
Against: )  
 ) STIPULATION, DECISION,  
CHARLES R. LEWIS ) AND ORDER  
12410 Burbank Blvd., Suite 100 )  
North Hollywood, CA 91607 )  
 )  
Certified Public Accountant )  
Certificate No. CPA 6638 )  
 )  
Respondent. )  
 )

1. At the time of executing and filing the Accusation in the above matter, complainant, Carol Sigmann, was the Executive Officer of the Board of Accountancy, Department of Consumer Affairs (hereinafter "Board") and filed the said Accusation in the above matter solely in her official capacity and not otherwise.

2. Respondent has received and read the Accusation as amended and heretofore filed in case number Ac-93-43 currently pending before the Board. A copy of said Accusation is attached, marked Annex A, and is incorporated herein by this reference.

1           3.   Respondent has been informed of his right to have an  
2 attorney represent him with respect to the content and effect of  
3 this stipulation.

4           4.   Respondent is aware of his right to a full and complete  
5 hearing on the charge(s) and allegation(s) contained in the  
6 Accusation, his right to reconsideration, appeal, and all other  
7 rights which may be afforded him by the California Administrative  
8 Procedures Act in connection with this Accusation. Respondent  
9 acknowledges receipt of his rights under the California  
10 Administrative Procedures Act. For purposes of this stipulation,  
11 Respondent freely and voluntarily waives his right to a hearing,  
12 his right to reconsideration, to appeal, and to any and all rights  
13 afforded to him by the California Administrative Procedures Act or  
14 any other law governing Accusation No. AC-93-43.

15           5.   The characterization of law and fact, as set forth herein,  
16 are made solely for purposes of settlement between the Board and  
17 Respondent, and are null and void for any proceeding except as  
18 between the Board and Respondent. Respondent shall be deemed to  
19 admit the truth of all the allegations contained in the Accusation  
20 as amended and pending against him upon any request for  
21 reinstatement of his license. Respondent further admits that he  
22 is subject to discipline under Business and Professions Code  
23 Section 5100(f) alleged in Accusation No. 93-43 as amended for  
24 engaging in the practice of public accountancy and in an other  
25 business which arguably impaired his independence and objectivity.

26           6.   Based on the foregoing admissions, stipulations, and  
27 recitals, it is agreed that the Board may issue the following  
28 decision and order:

DISCIPLINARY ORDER

Certified Public Accountant Certificate No. 6638, issued March 21, 1957, to Charles R. Lewis, is hereby revoked. However, said revocation is stayed and Respondent is placed on probation until December 31, 1995, on the following terms and conditions:

(1) Respondent shall obey all federal, state and local laws, and all rules relating to the practice of public accountancy in the State of California.

(2) Respondent shall file written quarterly reports on form(s) provided by the Board no later than 10 days following the close of each quarter.

(3) For purposes of paragraph "2," the word "file" shall mean actual receipt by or delivery to the Board at its regular place of business or other location(s) as may be designated by the Board.

(4) Respondent shall comply with all citations.

(5) The Respondent shall make personal appearances before the Administrative Review Committee of the Board. Respondent shall receive reasonable notification of the time and the location of Committee meeting(s). The Respondent shall not be excused from attendance at the designated meeting(s) of the Committee unless excused in writing by the Board or its authorized employee or agent.

(6) The Respondent shall cooperate fully with the Board and any of its agents or employees in their supervision and investigation of his compliance with the terms and conditions of his probation, including the Board's Probation surveillance Compliance Program.

1           (7) For purposes of paragraph "6," Respondent's  
2 accounting practice is subject to inspection by the Board's  
3 authorized personnel, agents, or employees, without advance  
4 notification to the respondent.

5           (8) During the period of probation, if Respondent should  
6 leave California to reside or practice outside the State, the  
7 Respondent must notify the Board in writing of the dates of  
8 departure and return. Periods of residency or practice  
9 outside the State shall apply towards reduction of the  
10 probationary period.

11           (9) If the Respondent violates probation in any respect, the  
12 Board, after giving Respondent notice and opportunity to be  
13 heard, may revoke probation, and carry out the disciplinary  
14 order which has been stayed.

15           (10) The Respondent shall be subject to, and shall  
16 permit, a general review of the Respondent's professional  
17 practice. Such review shall be conducted by the Board  
18 whenever designated by the Administrative Committee, provided  
19 notification of review is accomplished in a timely manner.

20           (11) During the period of probation, Respondent shall be  
21 prohibited from selling or marketing any investment programs  
22 or products whether offered by the Respondent or a third  
23 party. Furthermore, Respondent shall be prohibited from  
24 engaging in any type of investment counseling or working for  
25 a company or organization that sells or otherwise promotes  
26 investments while licensed as a California CPA.

27           (12) Respondent shall be precluded from accepting,  
28 disbursing, or otherwise handling client funds.

1           (13) Respondent shall provide all his new and existing  
2 clients with written notice concerning the status of his CPA  
3 license including clear language that he will not be a CPA  
4 after December 31, 1995. Said notification shall be signed  
5 by all of the Respondent's clients with the original copy  
6 retained by the Respondent. The signed copy of the client  
7 notification letter shall be made available to the Board  
8 personnel upon request.

9           (14) For purposes of paragraph "13," the content of the  
10 client notification letter shall be subject to approval by the  
11 Board. No later than 15 days from the date this stipulation  
12 is adopted by the Board, Respondent shall submit a proposed  
13 client notification letter to the Board for its approval.

14           (15) Respondent shall be prohibited from accepting or  
15 performing audit engagement(s) during the period of probation.  
16 In the event Respondent has pending audit engagement(s), he  
17 shall make appropriate arrangements with his audit client(s)  
18 to transfer the engagement(s) to another CPA

19           (16) Upon the termination of the probationary period,  
20 certified public accountant certificate number 6638 issued to  
21 Charles R. Lewis shall be revoked without further notice to  
22 the Respondent and/or his legal representatives.

23           (17) Upon the termination of the probationary period,  
24 Respondent shall surrender to the Board at its offices in  
25 Sacramento, California his CPA certificate together with all  
26 other indicia of licensure as a California certified public  
27 accountant.

28           (18) During the period of probation, Respondent shall be

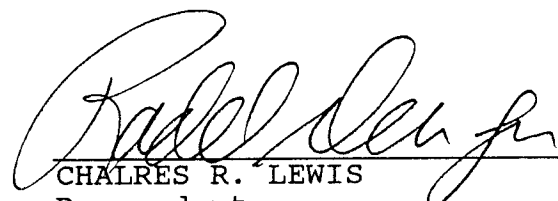
1 prohibited from entering into business ventures of any kind  
2 with his accounting clients including loaning money or  
3 borrowing money from accounting clients. Client consent shall  
4 not relieve Respondent from responsibility under this  
5 paragraph.

6 DATED: 11/1/94

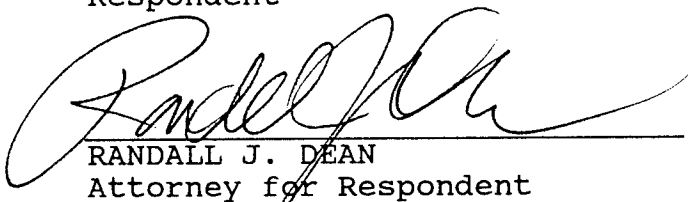
7 DANIEL E. LUNGREN, Attorney General  
8 of the State of California

9 By: 

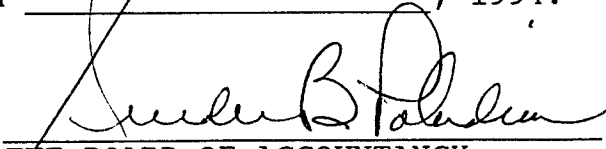
10 HOOMAN ROWSHAN  
11 Deputy Attorney General  
12 Attorneys for Complainant

13   
14 CHARLES R. LEWIS  
15 Respondent

16 APPROVED AS TO FORM:

17   
18 RANDALL J. DEAN  
19 Attorney for Respondent

20 The Board of Accountancy hereby adopts the foregoing  
21 Stipulation as its Decision and Order in this matter. This  
22 Decision and Order is effective on November 3, 1994.

23   
24 THE BOARD OF ACCOUNTANCY  
25  
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28

DANIEL E. LUNGREN, Attorney General  
of the State of California  
HOOMAN ROWSHAN,  
Deputy Attorney General  
300 South Spring Street, Suite 500  
Los Angeles, California 90013  
Telephone: (213) 897-2580

Attorneys for Complainant

BEFORE THE  
BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

In the Matter of the Accusation	)	No. 93-43
Against:	)	
	)	
CHARLES R. LEWIS	)	OAH No. L-07067
12410 Burbank Blvd., Ste. 100	)	
North Hollywood, CA 91606	)	AMENDED ACCUSATION
	)	
Respondent.	)	

The original Accusation pending before the Board of  
Accountancy is hereby amended as follows:

1. Paragraph "4" is amended to read:

"(c) . . . fraud in the practice of public  
accountancy [as defined in Business and Professions Code  
section 5051(h)]."


2. Paragraph "7" is amended to read:

Respondent is subject to discipline pursuant to  
Business and Professions Code section 5100, for  
unprofessional conduct within the scope of Business and  
Professions code sections 5100(c), 5100(f), and 5100(h),

1 for fraud, breach of fiduciary duty, and willful  
2 violation of Title 16, California Code of Regulations  
3 sections 57 and 60 by reason of the following  
4 facts . . . .

5 DATED: 8/30/94  
6

7 DANIEL E. LUNGREN  
8 Attorney General

9 BY   
10 HOOMAN ROWSHAN  
11 Deputy Attorney General

12 Attorneys For Complainant  
13 Carol B. Sigmann, Executive Officer  
14 Board of Accountancy  
15 State of California  
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DANIEL E. LUNGREN, Attorney General  
of the State of California  
HOOMAN ROWSHAN,  
Deputy Attorney General  
300 South Spring Street, Suite 500  
Los Angeles, CA 90013  
Telephone: (213) 897-2574

Attorneys for Petitioner

**BEFORE THE  
BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA**

In the Matter of the Accusation  
Against:

NO. AC-93-43

ACCUSATION

CHARLES R. LEWIS  
12410 Burbank Blvd. Ste. 100  
North Hollywood, CA 91607  
Certified Public Accountant  
Certificate No. CPA 6638

Respondent.

Complainant, Carol Sigman, for cause for discipline  
alleges:

1. She is the Executive Officer of the Board of  
Accountancy (hereinafter referred to as the board) of the  
Department of Consumer Affairs of the State of California and  
brings this accusation solely in her official capacity.

2. On March 21, 1957, the board issued to Charles R.  
Lewis, (hereinafter respondent) certified public accountant  
certificate number CPA 6638 for the practice of public accountancy.

1 The certificate was at all times mentioned herein in full force and  
2 effect and will expire subject to renewal on September 1, 1994.

3 3. Pursuant to Business and Professions Code section  
4 5100 the board may revoke, suspend or refuse to renew the permit  
5 or certificate of a certified public accountant, or may censure the  
6 holder of a permit or certificate for unprofessional conduct.

7 4. Business and Professions Code section 5100 provides  
8 in pertinent part that unprofessional conduct includes, but is not  
9 limited to:

10 (f) Willful violation of any provision of [the  
11 California Accountancy Act] or any rule or regulation  
12 promulgated by the board.

13 (h) ... Breach of fiduciary responsibility of any  
14 kind...

15 5. Title 16, California Code of Regulations section 57  
16 provides that a licensee of the board shall not concurrently engage  
17 in the practice of public accountancy and in any other business or  
18 occupation which impairs the licensee's independence, objectivity,  
19 or creates a conflict of interest in rendering professional  
20 services.

21 6. Title 16, California Code of Regulations section 60  
22 provides that a licensee of the board shall not engage in conduct  
23 which constitutes fiscal dishonesty or breach of fiduciary  
24 responsibility of any kind.

25 7. Respondent is subject to discipline pursuant to  
26 Business and Professions Code sections 5100, for unprofessional  
27 conduct within the scope of Business and Professions Code sections

1 5100(f) and 5100(h), for breach of fiduciary duty, willful  
2 violation of Title 16, California Code of Regulations sections 57  
3 and 60, conflict of interest , and breach of fiduciary  
4 responsibility, by reason of the following facts:

5  
6 a. L & H Finance, Inc., is a California Corporation  
7 licensed to do business in this state including the  
8 investment of money in return for guaranteed  
9 interest notes.

10  
11 b. Respondent, Charles R. Lewis, is the president and  
12 majority stockholder of L & H Finance, Inc. In his  
13 capacity as the president of L & H Finance, Inc.,  
14 and in his capacity as an individual, respondent  
15 guaranteed a number of documents entitled "Note  
16 Straight" which were promissory notes for  
17 amounts invested by his accounting clients in  
18 L & H Finance, Inc., to be paid "on demand" at  
19 variable interest rates.

20  
21 c. Based on their relationship with the respondent as  
22 their accountant and financial advisor, and at the  
23 suggestion of the respondent, Betty and Lynn  
24 Schubert invested substantial sums of money with  
25 L & H Finance, Inc., in exchange for a " Note  
26 Straight" executed by L & H Finance, Inc., and  
27 guaranteed by the respondent in his individual

1 capacity.

2 d. Based on her relationship with the respondent as  
3 her accountant and financial advisor, and at the  
4 suggestion of the respondent, Sandra Prager invested  
5 substantial sums of money in L & H Finance, Inc.,  
6 in exchange for a "Note Straight" executed by L &  
7 H Finance, Inc., and guaranteed by the respondent  
8 in his individual capacity.

9  
10 e. Based on her relationship with the respondent as her  
11 accountant and financial advisor, and at the  
12 suggestion of the respondent, Barbara Salkin  
13 invested substantial sums of money in L & H Finance,  
14 Inc., in exchange for a "Note Straight" executed by  
15 L & H Finance, Inc., and guaranteed by the  
16 respondent in his individual capacity.

17  
18 f. Based on his relationship with the respondent as his  
19 accountant and financial advisor, and at the  
20 suggestion of the respondent, Marc Vigneron,  
21 invested substantial sums of money in L & H Finance,  
22 Inc., in exchange for a "Note Straight" executed by  
23 L & H finance, Inc., and guaranteed by the  
24 respondent in his individual capacity.

25  
26 8. By virtue of establishing a relationship as an  
27 accountant and financial advisor, respondent created

1 a fiduciary relationship between himself and his  
2 accounting clients referred to in subparagraphs "a"  
3 through "f". Respondent breached his fiduciary duty  
4 to his accounting client by his failure to:

- 5
- 6 (a) Honestly and accurately represent the nature of  
7 the investment in L & H Finance, Inc., ;  
8
- 9 (b) Honestly and accurately disclose the investment  
10 risks associated with L & H Finance, Inc., ;  
11
- 12 (c) Honestly and accurately disclose the financial  
13 condition of L & H Finance, Inc. to each investor  
14 before investors' funds were accepted;  
15
- 16 (d) Properly invest investors' funds in such a manner  
17 that sufficient funds would be available "on demand"  
18 along with the accrued interest as represented;  
19
- 20 (e) Provide an accurate accounting of principal invested  
21 and accrued interest for each investor account;  
22
- 23 (f) Act with the due standard of care of an accountant  
24 and investment advisor in giving professional advice  
25 to his accounting clients named in this accusation;  
26
- 27 (g) Immediately and expeditiously pay all principal and

1 interest demanded by the investors according to the  
2 terms of the notes executed and guaranteed by  
3 respondent's company, L & H Finance, Inc., and  
4 respondent himself in his individual capacity;  
5

6 (h) Properly document each loan transaction and maintain  
7 accurate file(s) on each of the firm's debtors;  
8

9 (i) Collect and maintain loan documentation(s) necessary  
10 to effectuated the collection of non performing  
11 loans;  
12

13 (j) Establish uniform lending and credit criteria to  
14 be followed in evaluating the credit worthiness of  
15 the potential borrowers;  
16

17 (k) Establish an independent review procedure of loan  
18 applications as part of the loan approval process;  
19 and  
20

21 (L) Refrain from lending funds to relatives and  
22 organization in which he had an interest.  
23

24 9. Each act as alleged in subparagraphs "a" through  
25 "L" is a breach of fiduciary duty within the scope of Business and  
26 Professions Code section 5100 (h), and the California Code of  
27 regulations, Title 16, section 60.

1           10. Business and Professions Code section 5107 provides  
2 that in any order issued in resolution of a disciplinary proceeding  
3 before the Board, the executive officer of the Board may request  
4 the administrative law judge to direct the certificate holder found  
5 to have violated Business and Professions Code section 5100 to pay  
6 to the board a sum not to exceed the actual and reasonable costs  
7 of the investigation and prosecution of the matter, including  
8 attorneys' fees.

9           NOTICE IS HEREBY GIVEN respondent that pursuant to  
10 Business and Professions Code section 5107, Complainant hereby  
11 requests the administrative judge to direct respondent if found in  
12 violation, to pay to the board the reasonable costs of the  
13 investigation and prosecution of this matter.

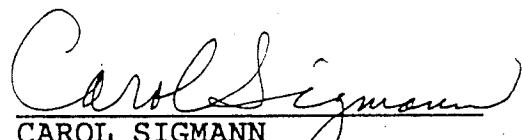
14           WHEREFORE, complainant prays that a hearing be held and  
15 that the board makes its order:

16           1. Revoking or suspending Certified Public Accountant  
17 certificate number CPA 6638, issued to Charles R. Lewis;

18           2. Taking such other and further action as the board  
19 deems proper.

20  
21 Dated and Filed:

22           September 14, 1993

  
CAROL SIGMANN  
Executive Officer  
Board of Accountancy,  
State of California

23  
24 Complainant

25 HR:kg  
26 Lewis

1 DANIEL E. LUNGREN, Attorney General  
of the State of California  
2 CALVIN W. TORRANCE  
Deputy Attorney General  
3 300 S. Spring Street, Floor 10 North  
Los Angeles, California 90013  
4 Telephone: (213) 346-2560

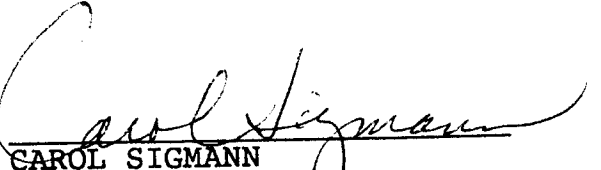
5 Attorneys for Complainant

6  
7 BEFORE THE  
BOARD OF ACCOUNTANCY  
8 DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA  
9

10 In the Matter of the Accusation	)	No. AC-90-14
Against:	)	
11 CHARLES LEWIS	)	DISMISSAL WITH
12 12410 Burbank Blvd.	)	PREJUDICE
13 North Hollywood, CA 91607	)	
14 C.P.A. Certificate No.	)	
EH 6638,	)	
15 Respondent.	)	

16  
17 The above entitled accusation is hereby dismissed with  
18 prejudice against respondent Charles Lewis.

19 Dated: October 18, 1991.

20  
21  
22   
23 CAROL SIGMANN  
Executive Officer  
24 Board of Accountancy  
Department of Consumer Affairs  
25 State of California

26 Complainant  
27



Attorneys for Complainant

**BEFORE THE  
BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA**

NO. AC-90-14

A C C U S A T I O N

## Respondents.

**PARTIES**

2. On or about March 21, 1957, Certificate No. EH 6638 (Certified Public Accountant) was issued to Charles R. Lewis (hereinafter "respondent"), and at all times relevant herein to

1 the charges herein brought, said license has been in full force  
2 and effect.

3 3. On or about August 17, 1981, Certificate No. PAR  
4 4297 was issued by the Board to Hollander, Harrison & Fine  
5 (hereinafter "respondent"), and at all times relevant herein to  
6 the charges herein brought, said license has been in full force  
7 and effect.

8 4. On or about October 13, 1983, respondent's name  
9 changed to Hollander, Freedman, Harrison & Fine as reflected by  
10 the Board.

#### 11 JURISDICTION

12 5. This accusation is brought under the authority of  
13 the following sections of the California Business and Professions  
14 Code (hereinafter "Code"):

15 6. Section 5100 of the Code provides that the Board  
16 may revoke, suspend or refuse to renew any permit or certificate  
17 issued by the Board, or may censure the holder of any such permit  
18 or certificate for unprofessional conduct which includes, but is  
19 not limited to, the following:

20 (c) Dishonesty, fraud, or gross negligence in the  
21 practice of public accountancy or in the  
22 performance of the bookkeeping operations  
23 described in Section 5052.

24 7. Section 5101 of the Code provides that after  
25 notice and hearing the Board may revoke the registration and  
26 permit to practice of a partnership if at any time it does not  
27 have all the qualifications prescribed by the section of this

1 chapter under which it qualified for registration. After notice  
2 and hearing the Board may revoke, suspend or refuse to renew the  
3 permit to practice of a partnership or may censure the holder of  
4 such permit for any of the causes enumerated in Section 5100.

5           8. Title 16 of the California Code of Regulations,  
6 Rule 58 provides that in all cases wherein an accountant's name  
7 is associated with financial information, the report should  
8 contain a clear-cut indication of the character of the  
9 accountant's association and the degree of responsibility the  
10 accountant is taking.

11           9. Title 16 of the California Code of Regulations,  
12 Rule 58.3 (c) provides that review of financial statements is the  
13 performance of inquiry and analytical procedures that provide the  
14 accountant with a reasonable basis for expressing limited  
15 assurance that there are no material modifications that should be  
16 made to the statements in order for them to be in conformity with  
17 generally accepted accounting principles or, if applicable, with  
18 another comprehensive basis of accounting.

19                           FIRST CAUSE OF ACTION

20           10. Respondents Charles R. Lewis and Hollander,  
21 Freedman, Harrison & Fine are subject to disciplinary action  
22 under section 5100 of the Code in that they engaged in  
23 unprofessional conduct in the preparation of financial statements  
24 of a client. The circumstances are as follows:

25           A. On or about 1977, Lewis, Hollander & Company was  
26 engaged as accountants for Wilcour Food Products, Inc.  
27 (Wilcour).

1           B.    On or about August, 1979, Daniel Harrison joined  
2 the firm as partner without a name change.

3           C.    On or about January, 1980, respondent Charles  
4 R. Lewis failed to review the financial statements of  
5 Wilcour dated January 26, 1980.

6           D.    On or about May, 1980, respondent partner Charles  
7 R. Lewis withdrew from the firm, Lewis, Hollander & Company.  
8 The firm, Lewis, Hollander & Company became Hollander,  
9 Harrison & Company which is now respondent Hollander,  
10 Freedman, Harrison & Fine.

11           E.    Respondents Charles R. Lewis and Hollander,  
12 Freedman, Harrison & Fine's gross negligence in their  
13 preparation of the financial statements of Wilcour led to  
14 errors consisting of understatements of accounts payable and  
15 purchases in the approximate amount of \$240,000.00 and the  
16 overstatement of inventory in the approximate amount of  
17 \$112,000.00.

18           F.    Respondents departed from generally accepted  
19 auditing standards in the audit of Wilcour's financial  
20 statements by the following:

- 21           1.    Respondents did not obtain competent evidence  
22                to support the basis for their conclusion  
23                that accounts payable were fairly stated as  
24                to January 26, 1980.
- 25           2.    Respondents did not complete significant  
26                steps in their audit program.
- 27           3.    Respondents did not comply with an auditing

1 standard which requires that auditors  
2 adequately plan and supervise an engagement.

3 4. The January 26, 1980 financial statements  
4 were materially misstated.

5 5. Respondents' working papers did not support  
6 the conclusions reached or document the work  
7 performed in the area of accounts payable and  
8 inventories.

9 6. Respondents failed to review audit working  
10 papers before issuance of their report.

11 SECOND CAUSE OF ACTION

12 11. Respondents Charles R. Lewis and Hollander,  
13 Freedman, Harrison & Fine are subject to disciplinary action  
14 under section 5100 (c) of the Code in that they were grossly  
15 negligent in the preparation of financial statements of a client.  
16 The circumstances are as follows:

17 A. Complainant hereby incorporates by reference  
18 paragraph 10 A through F.

19 THIRD CAUSE OF ACTION

20 12. Respondent Hollander, Freedman, Harrison & Fine  
21 are subject to disciplinary action under section 5101 of the Code  
22 in that it was grossly negligent and unprofessional in the  
23 preparation of financial statements of a client. The  
24 circumstances are as follows:

25 A. Complainant hereby incorporates by reference  
26 paragraph 10 A through F.

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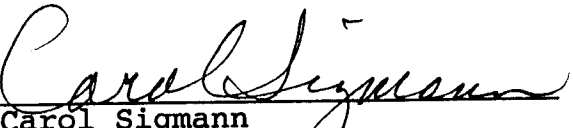
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1                    3.    Taking such other and further action as the Board  
2 deems proper.

3                    DATED: 3/15/91.

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6                      
7 Carol Sigmann  
8 Executive Officer  
9 Board of Accountancy  
10 Department of Consumer Affairs  
11 State of California

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Complainant